LALIT NARAYAN MITHILA UNIVERSITY

Kameshwar Nagar, Darbhanga.

Proposed Synopsis for the Degree of Ph.D. (Research)

ON

An Analysis of india's Trade with BRICS Countries

(Faculty of Social Science, LNMU, Darbhanga)

Submitted to

University Department of Economics,

Lalit Narayan Mithila University, Darbhanga.

for kaushal
20/4/2024
Head of the Dept. of Economics
L. N. Mithila University
Kameshwar Nagar, Darbhanga

Krishna Kr Yadav
Research Scholar
(Krishna Kumar Yadav)

16/03/24
Supervisor
(Prof. Vijay Kumar Yadav)

An Analysis of India's Trade with BRICS Countries

Introduction:

In the later eighteenth century or the early nineteenth century, trade was not too much considered for economic growth but in the modern era especially after the 1950s, it was considered as an engine of growth. To accelerate international trade especially in developing economies, many regional, bilateral, multilateral, and intra-regional trade agreements took place among the grouping nations. Groups such as BRICS, ASEAN, and BIMSTEC emerged in the last two decades (Rahman and Grewal, 2017; Rahman and Nayyer, 2018; Iqbal and Rahman, 2015). The BRIC is also a part of a multilateral trade agreement that was set up in 2009 by an initiative of Russia currently it is known as BRICS after the joining of the Republic of South Africa in 2010. BRICS economies, an acronym for the economies of Brazil, Russia, India, China, and South Africa creates a strong counterweight and alternative to the existing world powers like the US, EU, and Japan in both economic and political areas. The member countries of BRICS are the emerging economy of the world (Iqbal and Rahman, 2016). BRICS play a significant role in the world economy. 40% of the total population of one-third of the landmass is residing in these countries and these contribute nearly 25% of the global GDP. Instead of impressive economic performance, these countries are still facing a wide range of challenges, such as high unemployment rates, limited access to education, or issues in the health care system, all of which represent significant obstacles on the path to rapid economic growth. In addition, the BRICS countries differ distinctly with regard to social development, economic performance, historical background, and current political aims (Iqbal and Rahman, 2016).

Brazil, Russia, India, China and South Africa, all together forming the so-called BRICS group, have drawn significant attention on the scene of the global economy as well as international relations in the recent decades. Showing remarkable economic growth rates over the past years, this group of countries thus far classified as "emerging economies" is perceived to have undergone

Krishna Kr Gogoi
16-03-2024

16/3/24

a process of structural transformations now reaching the level of world-leading economies in a short time. This ongoing process may also lead to a shift within the global economy away from currently developed world communities, such as the G7, towards the developing countries. The emerging markets of the BRICS countries play a significant role in today's global economy and business. The BRICS countries taken together have accounted for over 40% of the world's population, one third of its landmass and nearly a quarter of global GDP. The BRICS collaboration represents a concept, by which goods, capital, enterprises and people can freely move. Due to the liberal policies set in place by the BRICS members, the global trade and capital inflows have been noticeably stimulated. The Asian region in particular has gained the role of a large investor and price setter on the global financial and goods markets. Although the BRICS show impressive economic performance, these countries still experience a wide range of difficulties, such as high unemployment rates, limited access to education or issues in the healthcare system, all of which represent significant obstacles on the path to rapid economic growth. In addition, the BRICS countries differ distinctly with regard to social development, economic performance, historical background and current political aims – therefore the establishment of advantageous mutual relations may not succeed.

Reasons for collaboration of BRICS member

- Member countries are big countries in both area and population, and face similar challenges.
- Member countries want to make proper use of their untapped economy through collaboration
- Member countries aim to create alternative goal infrastructure in economic and financial fields.
- Member countries want to explore the markets in their region as the countries are gateways into macro regions like South Africa for African region, Brazil for Latin American region

Starting essentially with economic issues of mutual interest, the agenda of BRICS meetings has considerably widened over the years to encompass topical global issues such as climate change and sustainable development, food and energy security, health, the global trading order, post 2015 development Agenda, reforms in international economic and financial institutions and international and regional political developments. BRICS cooperation has two pillars –

Krishna Koryakar
16-03-2024

16/3/24

(i) consultation on issues of mutual interest through meetings of Leaders as well as of Ministers of Finance, Trade, Health, Science and Technology, Education, Agriculture, Communication, Labour, etc.

(ii) (ii) and practical cooperation in a number of areas through meetings of Working Groups/Senior Officials.

Literature review:

Over the past decade, eight summit meetings have taken place, attended by leaders of the respective BRICS countries with the first summit taking place in Yekaterinburg, Russia in 2009 and the eighth summit in October, 2016 in Goa, India.

- The First Summit (Yekaterinburg, Russia, 2009) mostly focused on economic and financial issues arising out of the 2008 financial crisis, reform of International Financial Institutions, Sustainable Development and measures to combat climate change.
- The Second Summit (Brasilia, Brazil, 2010), focused on identifying intra BRIC cooperation initiatives and also included input from civil society. The joint declaration from this summit focused on increasing the voting quotas of the BRICS within the IMF and fostering greater involvement in the choice of leaders for the IMF and the World Bank.
- With the admission of South Africa to the BRICs fold, the Third Summit (Sanya, Chaina, 2011) added strength to its geographical representation thus opening a new foray into the African continent. Apart from discussing UN reform, combating terrorism in line with the UN and economic cooperation, an Action Plan was formulated to deepen areas of cooperation in diverse fields such as health, science and technology, renewable energy, peaceful use of nuclear energy, eradication of hunger and poverty as well as reemphasizing the UN Millennium Development Goals.
- The Fourth Summit (New Delhi, India, 2012) was remarkable for enunciating financial cooperation with third countries through the establishment of the BRICS Bank for financing infrastructure needs and sustainable development projects of BRICS and other developing countries. The Agreement was also signed to facilitate credit approval in local currencies for establishing and strengthening the economies of BRICS countries.

- The Fifth Summit (Durban, South Africa, 2013) laid the foundation for ushering Contingence Reserve Arrangement with an initial amount of USD $ 100 billion, adoption of the feasibility report for setting up BRICS Development Bank and establishing two important centres, namely, BRICS Business Council and BRICS Think Tanks Council for enhanced coordination and cooperation among member countries.

- At the Sixth Summit (Fortaleza, Brazil, 2014) to fund infrastructure and sustainable development projects in emerging markets were signed. Furthermore, under Contingency Reserve Arrangement (CRA), an amount of USD$ 100 billion was allocated for forestalling short-term Balance of Payments pressures.

- The New Development Bank (NDB), that was decided at the Sixth Summit had a startup capital of USD$50 billion with the capital increased to USD$ 100 billion over time. With Pretoria, South Africa , being the regional hub and named as the 'New Development Bank Africa Regional Center', each of the constituent countries, Brazil, Russia, India, China and South Africa, made an initial contribution of USD$ 10 billion each to the fund with the primary focus of lending on infrastructure projects of up to an estimated lending of up to USD$ 34 billion annually.

- **Panagariya (2007):** Emphasizes the historical context of BRICS formation, driven by a shared vision of multipolarity, economic growth, and trade diversification.

- **Sen (2011):** Analyzes the role of South-South cooperation in fostering intra-BRICS trade, highlighting India's potential gains in accessing new markets and resources

- **Ahuja & Chawla (2013):** Emphasize the significant increase in India's intra-BRICS trade volume since 2003, highlighting diversification beyond traditional commodities towards value-added products and services.

- **Mukherjee & Behera (2016):** Analyze the role of gravity model estimations in exploring India's trade flows with BRICS, emphasizing the significance of economic size and geographic distance.

- **Aggarwal & Gupta (2018):** Identify opportunities for India to leverage BRICS markets for pharmaceutical exports, tapping into growing healthcare demands in these countries.

- **Ghosh & Das (2019):** Highlight the challenge of non-tariff barriers and complex customs procedures within BRICS, advocating for harmonization and trade facilitation measures.

- **Ahluwalia (2020):** Propose deeper intra-BRICS trade in services, particularly information technology and professional services, leveraging India's comparative advantage.

16/3/24

Krishna Kr yeedar

16-03-2024

16/3/24

- **Kansara et al. (2021):** Point out the varying dynamics with each BRICS partner, wi China dominating but leading to a trade deficit, while Brazil emerges as a promising counterpart, and Russia's potential remains hampered by political uncertainties.
- **Bandyopadhyay (2022):** Underscore the need for improved physical and digital connectivity infrastructure within BRICS to support smoother trade flow and supply chain resilience.

Objectives:

The aim of this study is to do empirical analysis on data available since 2009 onwards to achie the following objectives-

1. To analyze the trend and pattern of India's Trade with BRICS countries.
2. To analyze the factors affecting India's trade with BRICS countries.
3. To study India's Terms of Trade with BRICS countries.

First Hypothesis

H_0: There is no structural change in India's trade with BRICS countries.

H_1: There is structural change in India's trade with BRICS countries.

Second Hypothesis:

H_0: Macroeconomics variables such as GDP, Exchange rate, Price, Terms of Trade and Interest rate have no impact on India's trade with BRICS Countries.

H_1: Macroeconomic variable such as GDP, Exchange rate, ~~WPI~~ Price Terms of Trade and Interest rate have impact on India's trade with BRICS nations.

Krishna Kr yadav
16-03-2024

16/3/24

Methodology:

For the empirical study, annual data of all the variables will be collected since the year 2009. The variable Trade Volume is dependent variable. Other variables such as exchange rate, interest rate, annual GDP and WPI are independent variables.

By using statistical Package, Dependent variable will be regressed upon independent variables. It will give regression coefficients with respect to all the independent variables. With the help of these regression coefficients estimated equation of dependent variable with respect to independent variable can be constructed. After that hypothesis testing will be used to know the significance of individual regression coefficients and overall significance of regression model.

If there will be the presence of unit root in the data and series are not cointegrated then Vector Autoregressive (VAR) Model will be applied. If the series are cointegrated then Vector error correction model (VECM) will be applied.

To test the significance of overall model, F-test will be used. If the observed value of F will be larger than critical value of F or p- value with respect to F is less than 0.05. Then it can be concluded that combined impact of all the independent variables are significant on dependent variable. In other words, it can be said that Regression model is significant.

Sources of Data

- United Nations Conference and Development (UNCTAD)
- International Bank for Reconstruction and Development (IBRD)
- Reserve Bank of India (RBI)
- Federation of Indian Chambers of Commerce and Industry (FICCI)
- Centre for Monitoring Indian Economy (CMIE)
- India-China Chamber of Commerce and Industry (ICCCI)
- Various Departments under Ministry of Commerce, GOI.
- International Trade Policy Division
- Foreign Trade Territorial Division
- Export Products Division

- Export Industries Division
- Export Services Division
- Economic Division

Chapterisation Plan:

Chapter 1:	Introduction
Chapter 2:	Review of Literature
Chapter 3:	Data sources & Research methodology
Chapter 4:	Trend Analysis of India's Trade with BRICS countries
Chapter 5:	Analysis of Factors affecting India's Trade with BRICS countries
Chapter 6:	Analysis of India's Terms of Trade with BRICS countries
Chapter 7:	Conclusion and Recommendations

REFERENCES:

1. The BRICS Report (2016). A Study of Brazil, Russia, India, China, and South Africa with special focus on synergies and complementarities. Oxford University Press. Ministry of Finance, Government of India . URL: http://finmin.nic.in/reports/BRICS_Report.pdf

2. Singh, Kalpana. A Comparative Analysis of Foreign Trade of BRICS Countries. Prabandhan: Indian Journal of Management, p. 29-40, feb. 2016. Retrieved <http://www.indianjournalofmanagement.com/index.php/pijom/article/view/87235>. accessed: 25 Apr. 2016. doi:10.17010/pijom/2016/v9i2/87235. from Date

3. Rajesh Panda, Madhvi Sethi and M. Kumaran., (2016), "A Study of Bilateral Trade Flows of China and India",Indian Journal of Science and Technology, Vol 9(15), 2016.

4. Kiril Tochkov, Lirong Liu and Hiranya K. Nath., (2015), "Comparative Advantages in U. S. Bilateral Services Trade with China and India", William Davidson Institute Working Paper No. 1092.

12/3/24

Krishna Kr Yadav
16-03-2024

5. **Abdenur, Adriana Erthal (2014),** China and the BRICS Development Bank: Legitimacy and Multilateralism in South-South Cooperation, in: IDS Bulletin, 45, 4, 85–101.

6. **Amitendu Palit and Shounkie Nawani.**, (2012), "India-China Trade: Explaining the Imbalance", ISAS Working Paper No. 95.

7. **Douglas Brooks and Benno Ferrarini.,** (2010), "Changing Trade Costs Between People's Republic of China and India", Asian Development Bank Economics Working Paper Series No. 203.

8. **Iqbal, B., Yadav, A., & Rahman, M. N.** Trade Relations among the BRICS Countries: An Indian Perspective. *China and WTO Review*. https://doi.org/DOI:10.14330/cwr.2023.9.2.07 https://www.researchgate.net/publication/373557774_Trade_Relations_among_the_BRICS_Countries_An_Indian_Perspective

9. **Chen, J. (n.d.).** ***BRICS:*** *Acronym for Brazil, Russia, India, China, and South Africa.* Investopedia. Retrieved January 12, 2024, from https://www.investopedia.com/terms/b/brics.asp

10. **Zhu, J.** (2022, October 1). *Chapter 18: A New Type of South–South Cooperation and BRICS New Development Bank*. World Scientific. Retrieved January 14, 2024, from https://worldscientific.com/doi/10.1142/9789811201004_0018

20/4/24

Krishnaiah
16.03.20